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KENYA'S EXTERNAL TRADE 1964-1971

BY

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Abstract

East Africa shows in her overseas trade the typical features of a less developed country: a growing trade deficit, the export of mainly agricultural commodities and the import of raw materials and capital goods.

The paper analyses first the pattern of exports since 1964 and its geographical distribution. Despite efforts to diversify trade, Kenya in 1971 still relied largely on two agricultural crops for her exports earnings. The import pattern emerging since 1964 shows a healthy trend away from consumer goods by increasing the share of imported capital goods including transport equipment. Despite growing levels of income, the share of consumer goods remained constant since 1964, an indication of import substitution in this field.

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INTRODUCTION

At independence Kenya's economy was, as a result of her colonial history, closely integrated in the economic structure of the industrialized countries, especially that of Great Britain. Even though one pillar of this integration, colonial domination, was removed in December 1963, those of foreign trade and foreign investment remained. This relationship created a dependency of Kenya's trade on the industrialized countries. The export of raw materials and two or three main agricultural crops determined the foreign exchange receipts available for the import of essential consumer goods as well as capital goods. Thus external demand becomes a major variable for the economic activity of the country, including its investment pattern. The price behaviour of exports and also of imports are of crucial importance to such an economy.

In the period since independence Kenya has tried to change the inherited trading pattern. As will be shown below, the result has been minor as far as overseas exports are concerned. The import pattern from overseas shifted, however, increasingly to the import of intermediate and capital goods.

Before presenting an analysis of Kenya's overseas trade, a few comments on its trade within the East African Community, which is a second important pillar in Kenya's external trading relations, are necessary. (see Table I)

KENYA'S EAST AFRICAN COMMUNITY TRADE¹⁾

Kenya has been very fortunate to be a member of a quasi free trade zone which allows the country to sell a large share of its exports to the two neighbouring states and import, even though on a smaller scale, from them.

Kenya's trade with her partners in the East African Community, Uganda and Tanzania, shows a different pattern from her overseas trade. First, Kenya since 1964 always had a trade surplus, which helped to offset the large deficit in the overseas trade (Table I). Looking at the share of the East African trade of total trade, we notice the same ratio in 1964 and 1970, with a decrease in 1971-but taking exports and imports separately, the share of East African trade in both is declining (Table II), especially imports in 1971.

The second contrast to overseas trade is the different structure of the East African trade. Amongst exports, manufactured goods account for about 50% of total exports to Uganda and Tanzania, an indication of

1. Literature on the East African Community see the literature given at the end of this paper.

Kenya's industrial lead over her two trading partners (Table III). On the other hand imports are mainly raw materials and consumer goods (Table IV).

Third, the trade pattern with Uganda and Tanzania changed considerably in the years since independence, primarily due to the results of the Kampala Agreement of 1964²⁾ and the Treaty of East African Cooperation of 1967³⁾ which both aimed to reduce the imbalance of trade between the two states.

Table I

EXTERNAL AND EAST AFRICAN TRADE 1964-1971 (IN K£ '000)

	1964	1965	1966	1967	1968	1969	1970	1971
a) Imports								
External	76,595	89,037	112,396	106,596	114,764	116,950	142,026	184,105
East African	11,354	11,705	11,123	13,453	12,342	11,821	15,986	15,958
Total	87,949	100,742	123,519	120,049	127,106	128,771	158,012	200,064
b) Exports								
External	53,549	52,042	62,308	59,589	62,935	68,510	77,451	78,342
East African	25,880	29,426	28,901	26,178	26,334	28,797	31,450	33,893
Total	79,429	81,468	91,209	85,767	89,269	97,307	108,901	112,235
c) Balance								
External	-23,046	-36,995	-50,088	-47,007	-51,829	-48,440	-64,575	-105,763
East African	+14,526	+17,721	+17,778	+12,725	+13,992	+16,976	+15,464	+17,935
Total	-8,520	-19,274	-32,310	-34,282	-37,837	-31,464	-49,111	-87,828
d) Volume								
External	130,144	141,079	174,704	166,185	177,699	185,460	219,477	262,447
East African	37,234	41,131	40,024	39,631	38,676	40,618	47,436	49,851
Total	167,378	182,210	214,728	205,816	216,375	226,078	266,913	312,298

Source: Statistical Abstract 1972, Table 58c, p. 49

KENYA'S OVERSEAS TRADE 1964-1971

In 1964 Kenya had a trade deficit in her external trade of £ 23 m. This deficit increased in the next two years to around £ 50 m. - a figure held constant from 1966 to 1970. In 1970 the deficit reached a high of £ 64.4 m. reflecting partially the import of capital goods for the tyre factory in Nairobi. In 1971 the deficit reached a new high of £ 105.7 m. (see Table V).

2. The Agreement provided that a country with a trade deficit in certain items can set up - certain conditions being met - an import quota to build up its own manufacturing industries of the product involved. Items involved were Beverages and Tobacco, Meat, Dairy Products and Cereals, Clothing and Footwear.

3. The Treaty banned all quantitative restrictions but introduced instead transfer taxes, i. e. intra E. A. import duties, provided certain conditions are being met.

4. Overseas trade refers to the trade with countries outside the East African Community.

Table II

EAST AFRICAN TRADE 1964-1971 (IN K£ '000)

	1964	1965	1966	1967	1968	1969	1970	1971
a) Exports								
Tanzania	13,299	14,087	13,282	11,382	13,069	12,848	14,752	14,743
Uganda	12,581	15,339	15,619	14,796	13,265	15,949	16,698	19,150
Total	25,880	29,426	28,901	26,178	26,334	28,797	31,450	33,893
b) Imports								
Tanzania	4,110	4,569	3,806	3,288	3,692	4,018	5,938	7,932
Uganda	7,244	7,135	7,317	10,165	8,650	7,803	10,048	8,026
Total	11,354	11,705	11,123	13,453	12,342	11,821	15,986	15,958
c) Surplus								
Tanzania	+ 9,189	+ 9,517	+ 9,475	+ 8,094	+ 9,377	+ 8,830	+ 8,814	+ 6,811
Uganda	+ 5,337	+ 8,204	+ 8,302	+ 4,631	+ 4,615	+ 8,146	+ 6,650	+11,124
Total	+14,526	+17,721	+17,778	+12,725	+13,992	+16,976	+15,464	+17,935
d) Trade Volume								
in % of								
Total Trade	17,8	20,8	18,8	19,4	17,8	18,0	17,8	16,0
Exports								
in % of								
Total Trade	32,6	36,1	31,7	30,4	29,5	29,6	28,8	30,2
Imports								
in % of								
Total Trade	12,8	11,6	9,0	11,2	9,7	9,2	10,1	8,0

Source: Statistical Abstract 1972, Table 58b, p. 49

This excess of imports over exports is quite normal for a developing country if it reflects capital investments which create a demand for imports. Historical studies suggest a high probability that a country's import requirements will grow faster than its export expansion as the economy accelerates its growth. In the case of Kenya the trade deficit envisaged in the first Development Plan for 1970 was £ 33.0 m. - only 50% of the actual deficit. For 1974 the second Development Plan forecast a deficit of £ 87.9 m., a figure already surpassed in 1971. From 1970 to 1974 a cumulative deficit of £ 35.1 m. was expected⁵⁾. One of the reasons for this rapidly increasing deficit in the last two years is a sharp decline in the terms of trade.

1. Foreign Trade Indices

In the literature on international trade the declining terms of trade (net barter or commodity terms of trade) of developing countries play an important role. The result of a recent UNCTAD estimate⁶⁾ for

5. Development Plan 1966-1970, p. 97; Development Plan 1970-1974, p. 157

6. The UNCTAD estimate, long term changes in the terms of trade, 1954-1971 - TD/138 March 1972, includes presumably Kenya's overseas as well as East African trade.

Table III

KENYA'S EXPORTS TO EAST AFRICA 1964 TO 1971

Category	1964	1965	1966	1967	1968	1969	1970	1971
	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %
1. Food, Drink, Tobacco	9,127 34,9	8,015 27,0	7,355 25,3	7,457 28,3	5,771 21,9	7,648 26,6	8,061 26,6	7,054 21,5
2. Basic Materials	337 1,3	741 2,5	586 2,0	781 3,0	955 3,6	938 3,3	1,095 3,5	1,225 3,7
3. Fuels	2,674 10,2	5,232 17,6	4,717 16,2	4,378 16,6	4,683 17,8	5,125 17,8	5,814 18,5	6,913 21,1
4. Chemicals	3,030 11,6	3,260 11,0	3,801 13,0	3,650 13,8	3,856 14,6	4,234 14,7	4,850 15,4	5,129 15,7
5. Textiles	1,171 4,5	1,435 4,8	2,449 8,4	1,711 6,5	1,919 7,3	1,506 5,2	1,148 3,7	1,224 3,7
6. Semi-manufactures	2,533 9,7	2,926 9,9	3,377 11,4	3,011 11,4	3,790 14,4	3,716 12,9	4,244 13,5	3,980 12,2
7. Metals	2,611 10,0	2,632 8,9	2,006 6,9	1,616 6,1	1,460 5,5	1,596 5,5	1,974 6,3	2,219 6,8
8. Transport Equipment	80 0,3	140 0,5	94 0,3	61 0,2	60 0,2	126 0,4	70 0,2	71 0,2
9. Other Capital Goods	116 0,4	185 0,6	335 1,2	432 1,6	779 3,0	944 3,3	1,302 4,1	1,605 4,9
10. Consumer Goods	4,351 16,6	4,934 16,6	4,293 14,7	3,194 12,1	3,053 11,6	2,963 10,3	2,894 9,2	3,329 10,2
11. Miscellaneous Goods	121 0,5	146 0,5	109 0,4	102 0,4	8 ...	2 ...	... ...	... ...
Total	26,162 100	29,646 100	29,121 100	26,393 100	26,334 100	28,797 100	31,450 100	32,750 100

* Figures may not add due to rounding

Source: Economic Survey 1969, p. 41 and Economic Survey 1972, p. 42

Table IV

KENYA'S IMPORTS FROM EAST AFRICA 1964 TO 1971

Category	1964	1965	1966	1967	1968	1969	1970	1971*
	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %	in 000£ in %
1. Food, Drink, Tobacco	5,365 46,9	4,955 42,1	3,426 30,5	5,397 39,9	4,458 36,1	3,731 31,6	5,640 35,3	4,139 29,6
2. Basic Materials	1,675 14,6	1,944 16,5	1,737 13,5	1,957 14,5	2,092 17,0	1,443 12,2	2,407 15,1	2,602 18,6
3. Fuels	420 3,7	420 3,6	447 4,0	721 5,3	580 4,7	430 3,6	475 3,0	496 3,5
4. Chemicals	338 3,0	616 5,2	866 7,7	704 5,2	616 5,0	791 6,7	743 4,6	489 3,5
5. Textiles	1,903 16,6	1,790 15,2	2,451 21,9	2,632 19,5	2,038 16,5	2,527 21,4	3,317 20,7	3,108 22,2
6. Semi-manufactures	353 3,7	469 4,0	590 5,3	676 5,0	760 6,2	612 5,2	952 6,0	938 6,7
7. Metals	823 7,2	1,002 8,5	1,054 9,4	852 6,3	887 7,2	1,310 11,1	1,211 7,6	1,106 7,9
8. Transport Equipment	8 0,1	3 ...	9 0,1	6 ...	9 0,1	5 ...	11 0,1	9 0,1
9. Other Capital Goods	6 0,1	9 0,1	67 0,6	119 0,9	343 2,8	430 3,6	516 3,2	468 3,3
10. Consumer Goods	549 4,8	540 4,6	554 4,9	464 3,4	553 4,5	531 4,5	713 4,5	650 4,6
11. Miscellaneous	11 0,1	13 0,1	15 0,1	15 0,1	8 0,1	12 0,1	2 ...	1 ...
Total	11,451 100	11,759 100	11,215 100	13,515 100	12,342 100	11,820 100	15,986 100	14,005 100

* provisional

Source: Economic Survey 1969, p. 36 and Economic Survey 1972, p. 35

all African countries, except major oil exporters, and for Kenya are given below (see Table VI).

Table V

VISIBLE BALANCE OF KENYA'S EXTERNAL TRADE 1964-1971 (IN £ '000)

Type of Trade	1964	1965	1966	1967	1968	1969	1970	1971
<u>Net Imports</u>								
Commercial	68.0	80.5	92.4	88.4	97.8	100.7	126.5	162.8
Government	8.6	8.5	20.0	18.2	16.9	16.3	15.5	21.3
Total	76.6	89.0	112.4	106.6	114.7	117.0	142.0	184.1
<u>Exports</u>								
Domestic	47.1	47.1	58.1	53.5	57.8	63.3	71.6	73.2
Re-Exports*	6.4	4.9	4.2	6.1	5.1	5.2	5.8	5.2
Total	53.5	52.0	62.3	59.6	62.9	68.5	77.4	78.4
Visible Balance	-23.0	-37.0	-50.1	-47.0	-51.8	-48.5	-64.6	-105.7
Volume	130.1	141.0	174.7	166.2	177.6	185.5	219.4	262.5

*Because of their size re-exports are omitted in this study.

Source: Annual Trade Reports 1964-1971

Table VI

CHANGES IN THE TERMS OF TRADE

<u>Africa</u>	<u>Terms of Trade</u>	<u>Export Prices</u>	<u>Import Prices</u>
1954/56-1958/60	-16	-15	+2
1958/60-1968/70	+ 6	+16	+10
1954/56-1968/70	-11	- 1	+12
<u>Kenya</u>			
1954/56-1958/60	-24	-21	+14
1958/60-1969/70	-18	- 9	+10
1954/56-1968/70	-37	-28	+16

Source: UNCTAD TD/138 Table I, p. 5 and Annex Table I, p. 2

Whether these opening scissors between export receipts and import prices are called "exploitation" or, somewhat cynically "a natural division of labour" is irrelevant. A developing country like Kenya is the loser of this development⁷⁾.

Comparisons of price trends are, of course, greatly influenced by the selection of the base year. In this study 1964 is selected, based on the assumption that, with the achievement of independence, Kenya could formulate its own trade policy. The next table shows the movement of the commodity terms of trade from 1964 to 1971.

7. The UNCTAD estimates the loss to Kenya due to changes in export and import prices for the 1961-1970 period as \$ 48 m. annually or 20% of actual import volume; TD/138 Annex Table III, p. 17

Table VII

KENYA'S TERMS OF TRADE 1964-1971

<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
100	97	97	91	90	90	90	80*

* Provisional

Source: Economic Survey 1970, p. 30 and 1972, p. 33

This drop by 20% between 1964 and 1971 indicates that Kenya is worse off today than in 1964; she has to pay more to purchase the same imports. Fortunately Kenya was able to reduce the loss through declining terms of trade by increasing her export volume at current prices from £ 53.5 m. in 1964 to £ 78.4 m. in 1971. Adjusted by the terms of trade index, the 1971 imports are still £ 9 m. or 17% higher, i. e. Kenya was able to increase her purchasing power of exports by increasing the export volume beyond the loss suffered through the declining terms of trade.

Looking at the overseas export price index only, the steady decline from 1964 to 1967 is apparent. In 1968 the index rose by one point, primarily due to an increase in the coffee prices resulting from the poor harvest of that year.

Table VIII†

OVERSEAS EXPORT PRICE INDEX 1964-1971

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
All exports	100	99	99	93	94	94	103	101
Agricultural exports	100	97	96	92	94	92	104	98

Source: Economic Survey 1969, p. 34 and 1972, p. 33

In 1969 prices for agricultural commodities dropped again by two points, which was offset by a rise in prices for non-agricultural exports, so that the overall index remained at 94. In 1970 prices for coffee and tea, which made up almost half of the export value of that year, rose sharply bringing the index for the first time above the 1964 base year. In 1971 coffee and tea prices dropped again pushing the agricultural index below 100. The overall index remained, however, above the 1964 level.

To explain the declining terms of trade one has to look at the behaviour of the import index. Whereas the export price index dropped from 1964 to 1967 and then remained stable up to 1969, the import price index rose only slightly from 1964 to 1967. In 1968 the index rose by two points despite the devaluation of sterling and other currencies, which should have resulted in a reduction of Mombasa landing prices; The increase in the inflation rate of the industrialized countries

pushed the index to 115 in 1970 and to 126 in 1971. Thus the decline in the terms of trade from 1964 to 1967 was mainly due to declining export prices; the further decline after 1967 can be traced to rapidly rising import prices.

Table IX

OVERSEAS IMPORT PRICE INDEX

1964	1965	1966	1967	1968	1969	1970	1971*
100	102	102	102	104	105	115	126

* Provisional

Source: Economic Survey 1972, p. 32

Before closing this discussion, a brief look at the main import categories indicates a great range of price changes from 1969 to 1971.

Table X

IMPORT PRICE INDEX FOR MAIN CATEGORIES

(1964=100)

	1969	1970	1971 ⁺	Share of 1971 ⁺ Imports in %
Food	79	81	101	5.8%
Beverages and Tobacco	128	137	145	
Basic Materials, inedible	112	117	120	4.4%
Mineral Fuels	102	105	102	8.9%
Animal and Vegetable Oils and Fats	86	137	126	1.9%
Chemicals	91	92	114	10.3%
Textiles	131	141	161	5.9%
Metals	100	126	107	10.8%
Semi-Manufactures	105	113	132	8.3%
Machinery and Transport Equipment	108	103	115	39.3%
Consumer Goods	110	106	128	6.0%
Total	105	115	126	

* Due to rounding does not add up to 100%

+ The 1971 figures are provisional.

Source: Economic Survey 1972, p. 32 and Annual Trade Report 1971

Even though the largest price increases occurred in the section "Beverages and Tobacco" and "Textiles", these groups accounted for a small share of total imports. The price increases for "Chemicals", "Semi-Manufactures" and "Machinery and Transport Equipment" pushed the index up to its present level.

2. Kenya's Exports to Countries outside the East African Community

For a less developed country export earnings are vital as a source of foreign exchange to import the capital goods required for development. An analysis of the export components can, therefore, be utilized to discover past patterns as well as future trends which may give an indication of future export earnings.

In order to examine the balance of trade figures, first the dependence of the economy on external trade has to be investigated. Kenya's economy, like that of most developing countries, is characterised by a large share of exports in its monetary G.D.P. Using the figures given in the Statistical Abstract 1972, Kenya's export ratio as percentage of monetary G.D.P. dropped to 16.5% in 1971. This ratio is perhaps lower than that of an export-oriented European country. The dependence in the case of Kenya is, however, more burdensome, since the country is not able to produce capital goods locally and hence imports them, and they must be paid for out of export earnings.

Table XI

KENYA'S EXPORTS AS PERCENTAGE OF MONETARY G.D.P. (IN M. £)

Year	Monet. G.D.P. at current Prices	Overseas Exports* (excl. re-exports)	Exports as % of monet. G.D.P.
1964	239.55	47.12	19.7
1965	247.00	47.17	19.1
1966	279.58	58.07	20.8
1967	298.84	53.52	17.9
1968	330.36	57.80	17.5
1969	359.93	63.33	17.6
1970	404.87	71.61	17.7
1971	442.50	73.19	16.5

* Overseas exports - Kenya produce and manufactures exported to countries outside the East African area or to aircraft's or ship's stores valued f.o.b. ship or aircraft.

Source: Statistical Abstract 1972, Table 48a p. 37 and Table 58a p. 49

Since Independence Kenya's overseas exports - measured at f.o.b. prices - increased in absolute terms from K£ 47.1 m. in 1964 to K£ 73.2 m. in 1971 or by an annual increase of about 7.8%, a figure which is above the cumulative growth rate of the monetary economy of 7.5% (at 1964 prices) for the same period. (Econ. Survey 1972, p. 5). A look at the Standard International Trade Classification (SITC⁸) which has been "suitably modified to meet East African Requirements" (Annual Trade Report 1968 p.V.), indicates that Kenya's agricultural exports

- falling under SITC Section 0.1.2 and 4 - contributed in 1964 85% of total overseas exports, in 1965 and 1966 78% and 79%, and from 1967 on around 75% dropping to 70% in 1971. Exports in Section 1 and 4 are, however, insignificant amounting in 1971 to 0.1% in each category. On the other hand Section 0 and 2 with 55% and 15.5% in 1971 cover all major agricultural exports of Kenya.

Table XII

KENYA'S AGRICULTURAL OVERSEAS EXPORTS 1964-1971 (IN '000 £)								
SITC Section	1964	1965	1966	1967	1968	1969	1970	1971
0	27.269	25.828	33.713	30.767	34.884	38.173	44.411	40.261
1	32	20	21	42	27	37	141	86
2	12.701	10.824	11.876	9.192	9.287	9.503	9.560	11.416
4	39	53	39	33	38	46	68	55
Total	40.041	36.725	45.649	40.039	44.236	47.759	54.180	51.818
%	84.99	77.85	78.61	74.81	76.54	75.51	75.67	70.80
Total Exp.	47.115	47.173	58.078	53.519	57.795	63.333	71.605	73.185

Source: Annual Trade Reports 1964-1971.

From 1964 to 1971 the four principal crops, coffee, tea, sisal and pyrethrum, contributed around 50% of total overseas exports. Disregarding 1968 when due to weather conditions the poorest coffee crop was harvested since 1963, coffee and tea alone were responsible for at least 42.8% of total overseas exports, reaching a high figure of 48.8% in 1970. The other remaining principal agricultural exports in Section 0 - meat and meat preparations, tinned pineapples, cashew nuts, beans, peas and lentils, butter and ghee, and maize contributed between 8.0% (1971) and 17.4% (1968) of total exports, the variation being mainly due to the export of maize in 1967, 1968 and 1969 (Table XIII).

In Section 2 the share of principal exports - sisal fibre and tow, pyrethrum, hides, skins and fur skins, raw cotton, raw wool, oil seeds, oil nuts, oil kernels - dropped from 25.2% in 1964 to 11.6% in 1970, mainly due to the steady decline of sisal exports from 12.8% in

8. The main sections of the SITC classification (revised) are:

Section	
0	Food and Live Animals
1	Beverages and Tobacco
2	Crude Materials, inedible, except Fuels
3	Mineral Fuels, Lubricants and related Materials
4	Animal and Vegetable Oils and Fats
5	Chemicals
6	Manufactured Goods classified chiefly by material
7	Machinery and Transport Equipment
8	Miscellaneous manufactured articles
9	Commodities and Transactions not classified according to kind.

1964 to 2.6% in 1970. In 1971 the share of this section rose through increased pyrethrum exports to 13.2%.

This brief survey of Kenya's agricultural exports shows, that Kenya in 1964 was relying heavily on the export of coffee, sisal and tea. In 1971, however, mainly on coffee and tea, which accounted for almost half the total overseas export earnings. Thus dependence on two or three main agricultural exports has not been lessened but increased. One of the main aims of the Development Plan 1964-1970, "to diversify exports, and particularly reduce the present heavy dependence on coffee" was not realized. (Development Plan 1970-1974, p. 29)

Table XIII

PRINCIPAL COMMODITIES EXPORTED 1964-1971 IN PERCENTAGE OF TOTAL VALUE

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
<u>SITC Sect. 0</u>								
Coffee, not roasted	32.7	29.9	32.3	29.3	22.2	26.6	31.1	26.8
Tea	12.9	12.9	15.0	13.8	17.4	17.8	17.7	16.2
Meat & Meat Prep.	4.6	5.2	5.2	5.3	5.2	4.1	4.0	5.0
Pineapple, Tinned	1.9	1.6	0.9	1.0	0.8	1.1	0.9	1.3
Cashew Nuts	0.6	1.2	0.8	0.1	1.1	1.1	2.2	1.0
Beans, Peas, Lentils	1.1	1.0	1.0	0.6	1.4	0.8	0.7	0.6
Butter & Ghee	1.6	0.6	0.7	0.5	0.6	0.4	0.3	0.1
Maize, Unmilled	-	-	-	2.6	8.3	4.4	-	-
Total: Sect. 0	55.4	52.4	55.9	53.2	57.0	56.3	57.0	51.0
<u>SITC Sect. 2</u>								
Sisal Fibre & Tow	12.8	8.2	5.8	3.9	3.2	2.7	2.6	2.1
Pyrethrum	5.2	4.7	4.9	5.4	5.3	4.4	3.0	4.6
Hides/Skins/Fur Skins	2.7	3.7	4.4	3.3	2.9	3.0	2.3	3.3
Cotton, Raw	1.4	1.6	1.5	1.2	0.7	1.2	1.7	1.6
Wool, Raw	1.1	1.2	1.0	0.9	1.0	0.9	0.5	0.4
Oil Seeds, Nuts & Oil Kernels	1.0	1.0	0.9	0.7	1.1	0.5	0.7	0.6
Scrap Metal	1.0	0.9	0.8	0.7	0.5	0.6	0.7	0.6
Total: Sect. 2	25.2	21.3	19.3	16.1	14.7	13.3	11.6	13.2
<u>SITC Sect. 3</u>								
Petroleum Products	4.6	9.9	10.1	13.8	10.8	12.0	11.4	14.5
<u>SITC Sect. 5</u>								
Sodium Carbonate	1.5	1.7	1.9	1.9	2.0	1.4	2.3	2.5
Wattle Bark	2.3	1.8	2.7	1.7	2.1	1.9	1.6	1.6
<u>SITC Sect. 6</u>								
Cement, Building	1.7	2.0	1.5	1.9	2.0	2.3	2.3	2.1
Copper & Alloys	0.9	1.9	0.7	-	-	-	-	-

Source: Statistical Abstract 1972, Table 60c, p. 53

Table XIV

PRICE AND QUANTITY BEHAVIOUR FOR THE FOUR MAIN EXPORT CROPS 1964-1971

	1964	1965	1966	1967	1968	1969	1970	1971
<u>Coffee (not roasted)</u>								
Price per kg	7.28	7.34	6.90	6.17	6.81	6.61	8.29	7.03
Price Index	100	101	95	85	94	91	114	97
Quantity in '000 Metric Ton	42,30	38,40	54,61	50,75	37,59	50,97	53,73	56,43
Quantity Index	100	91	129	120	89	120	127	133
Total Value in Mill £	15,40	14,10	18,78	15,68	12,81	16,84	22,26	19,53*
Export Earning Index	100	92	123	102	84	109	145	129
<u>Tea</u>								
Price per kg	7.31	7.65	7.71	8.00	7.30	6.87	7.25	7.10
Price Index	100	105	105	109	100	94	99	97
Quantity in '000 Metric Ton	16,57	15,92	22,61	18,84	27,50	32,84	35,06	33,51
Quantity Index	100	96	136	112	166	198	212	202
Total Value in Mill £	6,06	6,09	8,71	7,40	10,04	11,27	12,70	11,88**
Export Earning Index	100	101	143	122	166	186	210	196
<u>Pyrethrum Extract</u>								
Price per kg in KShs.	153.11	143.41	149.25	148.17	136.77	121.14	132.15	149.80
Price Index	100	94	97	97	89	79	96	98
Quantity in Metric Ton	283	274	321	327	366	357	265	368
Quantity Index	100	97	113	116	129	130	94	130
Total Value in Mill £	2,17	1,95	2,40	2,42	2,50	2,22	1,75	2,76***
Export Earning Index	100	91	110	113	115	103	90	127
<u>Sisal Fibre & Tow</u>								
Price per 100 kg	208.27	132.26	119.82	99.62	87.46	96.05	84.20	87.76
Price Index	100	64	58	48	42	46	40	42
Quantity in '000 Metric Tons	57,89	58,25	55,75	41,44	41,90	35,76	44,29	34,71

cont. Table XIV

	1964	1965	1966	1967	1968	1969	1970	1971
Quantity Index	100	101	96	72	72	62	77	60
Total Value in Mill £	6,03	3,85	3,34	2,06	1,83	1,72	1,87	1,52****
Export Earning Index	100	65	56	35	30	29	31	25

* In the first ten months of 1972 coffee exports exceeded in value 20.8 Mill £ or 26.8% over the 10 months period in 1971

** In the first ten months of 1972 tea exports exceeded in value 13.6 Mill £ or 46.8% over the 10 months period in 1971

*** In the first 10 months of 1972 pyrethrum exports exceeded in value 3.6 Mill £ or 58.6% over the 10 months period in 1971

**** In the first 10 months of 1972 sisal exports exceeded in value 1.7 Mill £ or 36% over the 10 months period in 1971

Source: Economic Survey 1969, p. 44; 1972 p. 43

Kenya Statistical Digest, Vol X, No.4 Dec. 1972

Statistical Abstract 1972, Table 60a and 60b, p. 51/52

Export earnings of Kenya's principal export crops fluctuated in the last years resulting from changes in world demand - for Kenya the demand of a few industrialized countries - and with supply conditions largely dictated by nature. In 1971 prices for tea, coffee and pyrethrum were only slightly below the 1964 level, whereas sisal prices were cut by half (Table XIV). The export volume for the three crops mentioned above were well above the 1964 level, with tea exports doubling since 1964. Again sisal exports are the exception with export down to 60% of the 1964 volume. Kenya was able in 1971 to increase her export value for her three main export crops substantially despite slightly lower prices - for sisal, however, the export value was only 25% of the 1964 level.

Coffee and tea are - or will be in the near future - covered by International Crop Agreements which involve a quota system which limits future exports to the relatively small demand increase of the industrial countries.

Thus in the long run increased agricultural exports are only possible by increasing exports of the smaller agricultural produce mentioned above, whose prices, with the exception of wool and wattle bark, were in 1971 higher than the 1964 level.

In the first ten months of 1972 exports of meat and meat products, hides and skins and wattle extract were up by 69.4%, 56.5% and 39.2% respectively over the 1971 figures for the same period.

Table XV

EXPORT PRICES IN KSHS

Item	Unit	1964	1970 not exported	1971 not exported
Maize	100 kg	37.11		
Meat and Products	1 kg	6.83	8.53	9.77
Hides and Skins	1 kg	4.61	5.52	5.77
Wattle	1 kg	0.96	1.52	1.58
Beans, Peas etc	1 kg	0.81	1.07	1.13
Cashew Nuts	1 kg	1.06	1.37	1.44
Wool, Raw	1 kg	7.88	5.45	3.93
Cotton, Raw	1 kg	4.77	4.82	5.02
Pineapples, Tinned	1 kg	1.67	1.79	1.77
Butter and Ghee	1 kg	6.39	7.14	8.00
Wattle Bark	100 kg	60.53	64.79	56.68

Source: Economic Survey 1969, p. 44, 1971, p. 41, 1972 p.43

A look at the other SITC Classifications shows that the percentage decrease of agricultural exports (Table XVI) by about 15% since 1964, which can be traced mainly to the decrease in sisal exports mentioned above, corresponds with an increase in exports of petroleum products in Section 3, which rose from 4.6% in 1964 to over 10% from 1966 onward, reading 14.5% in 1971.

Although "Manufactured Goods" exports in Section 5 (Chemicals) and Section 6 (Manufactured Goods classified by material) amounted to 9% in 1964 and 12.3% of the total overseas exports in 1971, this share is deceptive, since 2/3 of this total is essentially primary production. The 1971 share of exports in Section 5 was 5.6%. Of this, soda ash and wattle bark amounted to 2.5% and 1.6% respectively. In Section 6 we find a similar picture, where exports of cement accounted for almost 30% of all exports in this group.

The contribution of Section 7 - Machinery and Transport Equipment - remained at 0.3% in 1964 and 1971. In Section 8 - Miscellaneous Manufactures - the figure rose from 0.5% to 1.8% of the total exports. Section 9 allows for no interpretation since it is a residue section; its share remained constantly below 0.5%. Thus overall we find outside Section 2 and 3 a relatively stable export pattern since 1964.

3. Regional Distribution

Exports go for obvious reasons predominantly to advanced industrial countries. The U.K., the former colonial power, remains the largest single buyer purchasing since 1964 between 20 and 26% annually,

Table XVI
KENYA'S DOMESTIC EXPORTS 1964-1971 (IN '000£)

SITC/VIAR	1964	1965	1966	1967	1968	1969	1970	1971	1964	1970	1971*
									%		
0	27,269	25,828	33,713	30,767	34,884	38,173	44,411	40,261	57.9	62.0	55.0
1	32	20	21	42	27	37	141	86	0.1	0.2	0.1
2	12,701	10,824	11,876	9,197	9,287	9,503	9,560	11,416	27.0	13.4	15.5
3	2,237	4,774	5,959	7,408	6,320	7,818	8,371	10,604	4.8	11.7	14.5
4	39	53	39	33	38	46	68	55	0.1	0.1	0.1
5	1,845	1,767	2,949	2,432	2,823	2,728	3,523	4,130	3.9	4.9	5.6
6	2,402	3,225	2,700	2,495	3,108	3,675	4,248	4,908	5.1	5.9	6.7
7	118	57	85	117	167	178	180	252	0.3	0.3	0.3
8	226	383	472	653	736	859	974	1,322	0.5	1.4	1.8
9	245	241	259	376	403	316	129	150	0.5	0.2	0.2
TOTAL	47,115	47,173	58,073	53,519	57,795	63,333	71,605	73,185	100	100	100

* Figures may not add up to 100 due to rounding

Source: Annual Trade Reports 1964 to 1971

dropping in 1971 for the first time below 20%. The U.K., West-Germany and the U.S.A., since 1964, bought between 35% and 45% of the total overseas exports. Of the top ten buyer nations in 1970, only India and Zambia belong to the less developed countries.

A look at Table: XVII shows that no major changes in the direction of overseas exports have taken place since 1964. Whereas the share to Sterling countries remained almost constant, the share of the six E.E.C. countries declined, mainly due to the smaller purchases of West-Germany since 1965. Exports to the U.S.S.R. and Eastern Europe, which shortly after Independence were seen as a means to trade diversification, also show a declining trend upto 1970, but doubled in 1971. In the "Rest of the World" Section the decline of exports to Japan from 3,1% in 1964 to 1,7% in 1970 is noteworthy. Due to repeated demands for a more balanced trade with this country, which has become the second largest supplier of Kenya's imports in 1971, the share rose to 3,4%.

Finally, the rise in the share in "Ship and Aircraft Store" since 1967 is mainly due to the closure of the Suez Canal in the same year, which increased sales to ships calling at Mombasa.

4. Kenya's Imports from Countries outside the E.A.C. 1964-1971

The structure of imports of any country depends on the level and progress of industrialization. For a less developed country with limited resources the initial stage of industrialization is usually restricted to non-durable consumer goods. Intermediate goods and capital goods obviously represent a large share of imports. At the same time imports of consumer goods having a high income elasticity of demand, tend to increase even when these goods are produced domestically. With increasing industrialization intermediate and capital goods can also be produced locally and consequently the import pattern changes. Industrialization will be reflected in a large share of imports needed by producers - i.e. raw materials, intermediate and capital goods.

From 1964 to 1970 Kenya's monetary G.N.P. (at constant prices) rose from £ 240 m. to £ 372 m. or by a cumulative rate of growth of 7,6%, while total monetary G.N.P. at current prices rose in the same period from £ 240 m. to £ 397 m. or by a cumulative growth rate of 8,7% (Economic Survey 1971 p. 2 and 5).

Within the monetary economy, but excluding Government, the highest cumulative growth rates at constant prices were in building and construction with 15.5%, banking, insurance and real estate with 10,9%, mining and quarrying 9,4%, other services 9,4%, and transport, storage

Table XVII

DIRECTION OF KENYA'S OVERSEAS EXPORTS* 1964-1971 (IN PERCENTAGE)

REGION/COUNTRY	1964	1965	1966	1967	1968	1969	1970	1971
STERLING AREA:								
United Kingdom	21.2	21.5	21.8	24.9	25.9	25.2	20.1	19.7
Zambia	0.4	0.9	2.8	4.4	4.6	6.3	5.5	7.0
India	3.0	3.0	2.6	2.5	2.7	2.6	3.9	2.6
Australia	1.8	1.4	1.0	1.1	1.0	0.8	0.8	1.0
Hong Kong	0.6	0.6	0.1	0.6	0.5	0.4	0.7	0.8
Pakistan	0.4	0.5	0.5	0.7	0.4	0.5	0.4	0.6
Other	9.4	9.1	7.0	6.9	4.6	5.2	6.1	6.3
TOTAL:	36.8	37.0	35.8	41.1	39.0	38.4	37.6	38.2
U.S.A.	9.2	5.3	8.7	6.5	6.7	7.6	8.7	7.2
CANADA	3.6	3.6	3.4	3.6	2.1	2.1	2.4	1.4
E.E.C.:								
West Germany	13.7	14.3	13.2	8.3	9.3	11.5	8.9	9.0
Netherlands	3.8	4.0	5.5	4.1	4.6	3.6	4.9	4.4
Italy	2.1	2.3	2.7	2.5	2.0	2.1	2.0	2.0
France	1.9	1.4	1.2	0.9	2.0	1.0	0.7	0.7
Belgium/Luxembourg	1.4	1.1	0.8	0.8	0.8	0.9	0.8	0.7
TOTAL:	22.9	23.1	23.4	16.6	18.7	19.1	17.3	16.8
E.F.T.A (excluding U.K.) TOTAL:	4.3	4.5	3.9	4.5	3.2	4.0	5.7	4.7
U.S.S.R. and EASTERN EUROPE TOTAL	2.9	2.0	2.5	1.5	2.2	1.9	1.4	3.0

cont/.....

REGION/COUNTRY	1964	1965	1966	1967	1968	1969	1970	1971**
REST OF THE WORLD:								
Iran	0.2	0.2	0.2	0.4	0.1	0.3	0.4	0.4
Japan	3.1	3.4	2.9	2.1	2.7	1.9	1.6	3.4
China	0.7	1.2	1.5	1.8	0.7	0.7	0.8	1.1
Africa (non-sterling)	7.6	7.6	6.3	5.0	7.9	6.9	5.8	8.0
Other	4.5	6.0	5.6	7.3	7.6	7.1	9.3	6.4
TOTAL:	16.1	18.4	16.5	16.6	19.9	16.9	18.0	19.3
SHIP AND AIRCRAFT STORES	4.2	6.1	5.8	9.6	8.2	10.0	8.9	9.4
ALL EXPORTS	100	100	100	100	100	100	100	100

* Excluding gold and currency but including re-exports
 ** Provisional

Source: Economic Survey 1968 and 1972, p. 44

and communication with 9,1%. Manufacturing and repairing grew since 1964 by 7,7%, slightly above the average growth rate of 7,2% for the industrial sector. Agriculture, the largest section in the monetary economy excluding Government, grew only at an annual growth rate of 4,9%. Against this background information on Kenya's growth pattern its import pattern will be presented.

Kenya's import pattern shows the typical features of a developing country. A look at Table: XVIII shows, that capital goods including transport equipment accounted for 32% of total foreign imports in 1964 and over 39% in 1971. Fuels, mainly petroleum products, increased by over £ 6 m. dropping slightly in percentage terms. Semi-manufactures and metals, the inputs for manufacturing and building increased from 15,3% to 19,1%. Chemicals, including fertilizers, insecticides and fungicides, also increased from 8,7% in 1964 to 10,3% in 1971. The decline of the Food, Drink and Tobacco Section indicates a trend toward import substitution. Not only was there a decline in absolute terms in this section; its share also decreased from 8,7% to 5,8%. Despite rising levels of income, imports dropped below the 1964 level. The same trend is evident for textiles whose share declined from 9,6% to 5,9%. Consumer goods though doubling in value remained at around 5% of total imports since 1964.

These overall figures are, in contrast to exports, not only influenced by supply and demand conditions but also by the import licensing policy of the Government. Prior to 1972 the importation of goods into Kenya was regulated solely according to the objectives of the licensing policy of the Government as administered by the Department of Trade and Supplies. Its aims are to protect local industry, aid the Africanization of the import trade and maintain or increase efficiency of local business. Due to the favourable overall position of foreign exchange holdings of the Kenya banking system exchange control considerations did not influence import licensing. With the deterioration of the balance of payments and the large trade deficit in 1971 imports were also restricted out of foreign exchange considerations. Under these regulations imports for a variety of goods are frozen to 50% of average imports for the years 1970/71, others, mainly those that are locally produced, can no longer be imported.

After this broad survey of imports, which includes Government purchases, except military purchases, which are not included in the Annual Trade Reports, and subsequent re-export to countries outside the E.A.C., we now look at the main categories presented in Table XIX. For a developing country imports of Capital Goods including transport equip-

ment is the most important category of imports reflecting the degree and the pace of industrialization. Imports of Capital Goods other than transport equipment rose in absolute terms from £ 13,5 m. in 1964 to £ 41,5 m. in 1971, raising the percentage share of this section from 17,4% to 22,6%. Looking at the aggregates in Table XVIII we notice a great rise in imports for 1966/67 and 1970. The first peak resulted from the importation of sugar machinery for the Chemelil sugar mill; the second from imports for the Firestone tyre factory in Nairobi.

A break down of the total imports in this group in major sub-groups reveals varying trends. Imports of Agricultural Machinery and Implements, including parts⁹⁾ show a rise in import value up to 1967. In 1969 imports of agricultural machinery declined sharply, reflecting the bad harvest of the previous year. In 1970, however, imports rose again, reaching a new peak in 1971. Imports of Food Processing Equipment¹⁰⁾ showed a rising overall trend. Here the two peaks, both resulting from imports of sugar machinery are exceptional.

Imports of Construction, Mining, Metal Working Equipment¹¹⁾ also shows a rising trend. Imports of Metal Working Machinery dropped drastically in 1965 and remained for the next three years around £ 0,4 m. to £ 0,5 m. only to decline again in 1969; 1970 imports more than doubled. The 1970 as well as the 1971 increase can be traced to the expansion of the Mombasa steel rolling mill. On the other hand imports of construction and mining equipment showed a fairly steady rise.

The increasing construction activity can also be seen in increased imports of Iron and Steel¹²⁾ which rose in value terms from £ 3.8 m. in 1964 to £ 11.3 m. in 1971. Imports of Textile and Leather Machinery¹³⁾ remained somewhat erratic showing a two year variation up to 1970. Imports of Electrical Machinery, Apparatus and Appliances¹⁴⁾ shows since 1964 an overall rising trend:

Only non-motor batteries showed a declining trend since 1964 mainly due to increased supply from local sources (Union Carbide, Nakuru). All other items doubled in value since 1964. Noticeable is the peak import of electrical power machinery in 1967 in connection with the Chemelil sugar factory.

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| 9. | SITC Section 712 |
| 10. | SITC Section 718310 = 399 |
| 11. | SITC Section 718410 = 420 |
| 12. | SITC Section 67 |
| 13. | SITC Section 717110 = 190, Section 717 200 |
| 14. | SITC Section 72 |

Table XVIII

IMPORTS FROM OVERSEAS BY BROAD ECONOMIC CATEGORY 1964-1971 (IN '000£)

Category	1964	1965	1966	1967	1968	1969	1970	1971								
in 000£ in % in 000£ in % in 000£ in % in 000£ in % in 000£ in % in 000£ in % in 000£ in %																
1. Food, Drink, Tobacco	6,725	8,7	10,400	11,7	12,796	11,4	5,205	4,9	5,843	5,1	4,114	3,5	6,451	4,5	10,663	5,8
2. Basic Materials	2,081	2,7	3,400	3,8	3,452	3,1	2,782	2,6	3,786	3,3	5,233	4,5	4,768	3,4	8,031	4,4
3. Fuels	9,271	11,9	10,280	11,6	11,819	10,5	11,955	11,2	13,193	11,5	12,999	11,1	14,558	10,3	16,364	8,9
4. Chemicals	6,779	8,7	8,344	9,4	8,817	7,9	8,075	7,6	11,245	9,8	11,935	10,2	14,816	10,4	18,979	10,3
5. Textiles	7,482	9,6	8,910	10,0	10,127	9,0	7,529	7,1	10,322	9,0	8,834	7,6	9,462	6,7	10,812	5,9
6. Semi-Manufactures	5,127	6,6	5,974	6,7	7,197	6,4	7,102	6,7	8,385	7,3	9,594	8,2	10,963	7,7	15,231	8,3
7. Metals	6,747	8,7	8,588	9,7	9,298	8,3	11,045	10,4	11,171	9,7	11,695	10,0	16,311	11,5	19,797	10,8
8. Transport Equipment	11,342	14,6	11,626	13,1	20,481	18,2	21,032	19,8	18,447	16,1	21,666	18,5	21,662	15,3	30,587	16,7
9. Other Capital Goods	13,472	17,4	13,267	14,9	18,201	16,2	23,024	21,7	21,104	18,4	21,810	18,6	30,634	21,6	41,551	22,6
10. Consumer Goods	3,859	5,0	4,122	4,6	5,302	4,7	4,226	4,0	6,056	5,3	5,729	4,9	7,600	3,4	11,024	6,0
11. Miscellaneous	3,609	4,6	4,064	4,6	4,810	4,3	4,556	4,3	5,207	4,5	3,336	2,9	4,795	3,4	629	0,3
Total	76,498	100	88,981	100	112,304	100	106,334	100	114,764	100	116,950	100	142,025	100	183,672	100

* Figures may not add up due to rounding

Source: Economic Survey 1968, p. 32 1971, p. 33 1972, p. 35

Table XIX

SELECTED CAPITAL GOODS IMPORTS 1964-1971 (IN '000 £)

	1964	1965	1966	1967	1968	1969	1970	1971
1. <u>Agricultural Machinery and Implements</u>								
Tractors complete	788	1169	1343	1277	1447	1190	1785	2184
Other implements including parts	680	530	687	1056	849	721	635	820
Total Value	1468	1699	2030	2333	2296	1911	2420	3004
2. <u>Food Processing Equipment</u>	1776	200	168	1729	508	697	761	899
3. <u>Metal Working</u>	623	259	443	426	478	366	946	1075
4. <u>Construction and Mining</u>	575	624	855	1059	936	1382	2030	2255
5. <u>Textile & Leather Machinery</u>	395	682	921	647	935	758	978	1646
6. <u>Electrical Machinery Apparatus and Appliances</u>								
Electric Power Machinery and Switch Gear	394	581	573	1282	770	869	1765	2542
Insulated Wire & Cable	214	314	412	342	367	591	479	458
Telecomm. Equipment	646	857	1394	1273	1613	1648	2416	2483
Batteries - not motor	388	321	430	340	337	224	381	390
Appliances n.e.s.	691	649	907	1014	1507	1658	2025	2813
Total Value	2333	2722	3716	4251	4594	4990	7066	8686

Source: Statistical Abstract 1972, p. 63/64

Imports of Transport Equipment showed an overall rising trend in absolute terms from £ 11,3 m. in 1964 (14,6% of total imports) to £ 30,6 m., in 1971 (16,7% of total imports). This total reflects neither changes within the various main groups lumped together in this category nor the decrease in Government imports in these items. A look at Table XX shows that Government purchases are concentrated on two items - railway rolling stock and aircraft, including parts. Thus in 1966, 1967 and 1970 aircraft purchases are up reflecting the purchase of large commercial jet aircraft for E. A. Airways. The costs of operating their fleet is indicated in the increased purchase of aircraft parts since 1966. Also in 1971 the East African Railways purchased a large amount of rolling stock, for its operation.

The same Table reveals also the rapid decline of the Government share of imports of buses and motor cars, especially in 1970.

Table XX

GOVERNMENT SHARE OF TOTAL IMPORTS (IN %)

	1965	1966	1967	1968	1969	1970	1971
Buses/Lorries	2,4	2,6	2,7	2,7	1,4	1,0	2,6
Motor Cars	33,4	24,9	21,4	19,5	22,3	12,0	14,6

Table XXI

IMPORT OF TRANSPORT EQUIPMENT 1964-1971 (IN ' 000£)

	1964	1965	1966	1967	1968	1969	1970	1971*							
Total Govt. Total Govt. Total Govt. Total Govt. Total Govt. Total Govt. Total Govt.															
Railway Rolling Stock	2413	934	925	1948	1947	5311	5300	3615	3609	954	948	308	303	2394	2381
Motor Cars	2822	3526	85	4115	109	4743	126	3752	103	4914	69	5956	60	6543	170
Buses, Lorries & Chassis for Assembly	2119	2857	954	3758	936	4790	1024	4319	841	4980	1113	5517	661	9715	1420
Aircraft	493	953	745	6183	5982	636	146	1341	949	5153	4477	5140	3398	2156	1471
Aircraft Parts	917	935	566	1955	1633	2537	2138	2009	1823	2241	2025	2160	1910	4261	4007
Aircraft Engines	581	506	141	1208	896	2675	2310	1522	1469	1931	1732	1623	1574	1764	1570
Motor Vehicle Parts	1439	1449	14	1463	59	1773	39	2311	123	2484	67	2817	68	3002	104
Others	....	....	....	1031	....	1242	....	1100	170	941	58	628	28	1621	200
Total Transport	10784	11623	3330	21690	11552	23708	11083	19969	9086	23597	10488	24147	8003	31456	11323

* Provisional

Source: Annual Trade Reports

Economic Survey 1969, p. 38

Economic Survey 1972, p. 38

Imports of transport equipment for private use - commercial and non-commercial - showed a rapid increase since 1964. The most significant item in this group is motor cars, whose imports increased by over 100% since 1964. Since the Government assumed that a large percentage of these imports are used for private consumption, it decided in 1967 to raise the import duties for cars. The drop in imports in 1968 does not, however, indicate a reduction of total sales. The reduced imports resulted from a depletion of stocks held in 1967 by £ 1,5 m. In 1969 and 1970 import figures indicate a continued upward trend. In order to check the increased imports of motor cars for private use, the Government decided in 1971 to restrict credits used for hire purchase and impose quantitative restrictions. In addition import duties were again raised in June 1972. A look at producer countries for motor cars for 1969 and 1970 reveals a fairly even distribution between England, West-Germany, Japan, France and Italy. Plans to construct an assembly line for passenger cars in Kenya, which is economically only feasible by the exclusion of other makes from the market, will find stiff resistance from those excluded holding an important share of around 80%.

Imports of buses, lorries and chassis for assembly which show an increase in absolute terms from £ 2,1 m. in 1964 to £ 9,7 m. in 1971, are dominated by English products. An assembly plant for lorries in Kenya is quite feasible and is being studied by the Ministry of Finance and Economic Planning.

A look at private aircraft imports shows a rising trend up to 1970 reflecting the purchase of small planes used in the air charter business.

Table XXII

AIRCRAFT IMPORTS (IN ' 000£)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Total	493	953	6183	636	1341	5153	5140	2156
Government	....	745	5982	146	949	4477	3398	1471
Private	....	208	201	490	393	676	1741	658
No of Aircrafts	22	46	33	64	44	55	33	46

Source: Annual Trade Reports, Economic Survey 1967, p. 33
Economic Survey 1971, p. 36

Imports of Petroleum Products⁽¹⁵⁾ are dominated by crude oil imports for the Mombasa oil refinery. The table below shows the share of crude oil imports since 1964 together with imports of refined petroleum products.

Table XXIII

IMPORTS OF PETROLEUM PRODUCTS 1964-1971 (IN 000£)

<u>Item</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Crude Petroleum	7274	9070	9094	9454	9656	10168	11023	12798
Aviation Spirit	225	120	283	197	163	183	150	127
Motor Spirit	134	10	147	60	481	139	668	502
Kerosine, Jetfuel	457	59	1032	397	1001	998	873	400
Gasoil, Diesel Oil	422	54	145	613	326	309	666	396
Lubrication Oil/ Greases	491	543	548	763	1116	800	516	1881
Petroleum Asphalt/ Bitumen	72	13	21	49	45	36	73	30
Other Mineral fuels etc	210	152	286	177	200	162	208	164
	9049	10001	11556	11710	12988	12795	14177	16298

Source: Statistical Abstract 1972, p. 62

The import of lubricating oil and grease, which accounted in 1971 for £ 1,8 m. or 11% of the imports of petroleum products will be greatly reduced in the near future, when the lubricating oil plant, presently being built in Mombasa becomes operational.

In the past years considerable efforts have been made in oil prospecting. Up to now none of the holes drilled struck oil. Since the most promising areas for oil deposits have been explored, the success of further prospecting seems remote.

As has been mentioned earlier imports of Foods, Drink and Tobacco showed a remarkable consistency with imports totalling £ 6,7 m. in 1964 and £ 6,4 m. in 1970 - or 8,7% in 1964 and 4,5% in 1970. In 1971 this section rose to £ 10,6 m. or 5,8% of total imports. This section is dominated by a few items, the most important being tea used for mixing and blending with local tea for re-export. Other large items are canned fruit and vegetables, refined sugar, milk and cream, cereals and malt, fish and fish preparations, meal and flour of cereals.

The variation in this section, especially the large increase in 1965, 1966 and 1971 when imports rose to around £ 10 m. was mainly due to imports of foodstuffs as a result of drought conditions. Maize and sugar alone were responsible for the great variation in this section as shown below:

Table XXIV

IMPORTS OF SELECTED FOOD ITEMS (IN '000£)

Item	1964	1965	1966	1967	1968	1969	1970	1971
Maize, Unmilled	12	2305	3692	6	3	5	387	898
Sugar, Refined	1744	2163	2848	511	624	324	934	3768
Tea	1667	1786	1192	806	853	569	881	1446
Subtotal	3423	6254	7732	1323	1480	898	2202	6112
Total Food	5867	9617	12004	4553	4868	3230	5552	11010

Source: Statistical Abstract 1972, p. 62

Since 1964 imports of Chemicals more than doubled in absolute terms reading £ 18,9 m. in 1971. In percentage terms the share of chemicals rose from 8,7% in 1964 to 10,3% in 1971. The trend of the two main items in this group, pharmaceutical products and fertilizer is given below:

Table XXV

IMPORTS OF PHARMA-PRODUCTS AND FERTILIZERS (IN '000£)

Item	1964	1965	1966	1967	1968	1969	1970	1971
Pharma-Products	1416	1641	1628	1745	2194	2495	2712	3288
Fertilizers	1330	1794	2044	1601	1875	2272	3041	3063

Source: Statistical Abstract 1972, p. 62

From these two series a steadily rising trend is apparent. The reduced levels of fertilizer imports in 1967 and 1968, resulted from very poor harvests in those two years.

5. Regional Distribution

About 80% of Kenya's import originate in industrialized capitalist countries. The four largest suppliers, the U.K., Japan, West-Germany and the U.S.A. consistently supplied over 50% of the total overseas imports since 1964, even increasing to over 60% in 1971.

Table XXVI gives details on the origins of imports since 1964. Most noticeable is a drop in the import share from Sterling Area Countries by almost 10% since 1964. Britain's share even though doubling in value since 1964 remained constant - the same applies to most Sterling countries except India, whose share dropped by over 1%. The difference comes mainly from a shift in the source of supply of crude oil from Bahrein to Iran in 1965/1966.

The share of imports from the U.S.A. was erratic varying from 6,3% in 1964 to 10,0% in 1966, a figure almost reached again in 1971.

Table XXVI

ORIGIN OF OVERSEAS (NET) IMPORTS 1964-1971 (PERCENTAGE PROPORTIONS*)

REGION/COUNTRY	1964	1965	1966	1967	1968	1969	1970	1971
STERLING AREA:								
United Kingdom	30.8	28.3	33.6	32.8	31.5	31.2	29.2	30.7
India	3.1	2.4	3.1	3.0	2.5	2.5	2.2	2.0
Hong Kong	1.1	0.8	1.5	1.2	1.7	1.3	1.5	1.1
Pakistan	1.0	1.2	1.2	1.3	1.4	0.9	0.4	0.8
Australia	1.2	1.2	1.0	1.3	1.5	1.8	1.3	1.6
Zambia	0.2	0.2	0.1	-	-	0.1	0.1	0.1
Other	8.8	5.4	3.7	2.4	1.5	2.0	1.9	2.1
TOTAL:	46.2	33.5	44.2	42.0	40.1	39.8	36.6	38.5
U.S.A.	6.3	9.6	10.1	7.3	6.0	7.5	8.4	9.6
CANADA	0.3	0.6	0.5	0.7	0.7	0.7	0.6	0.5
E.E.C.:								
West Germany	9.1	6.9	7.2	9.9	7.9	8.2	7.9	8.8
Italy	2.4	2.4	3.2	3.6	4.2	4.2	4.4	3.9
France	2.7	2.8	3.1	3.6	3.6	3.3	3.6	2.9
Netherlands	2.8	2.7	2.9	2.7	3.0	3.7	2.9	2.6
Belgium/Luxemburg	1.7	2.4	2.5	2.2	1.9	1.4	1.4	1.5
TOTAL:	18.7	17.2	18.9	22.0	20.6	20.8	20.2	20.4
E.F.T.A (excluding U.K.) TOTAL:	3.9	3.5	3.2	3.5	3.5	4.0	3.9	4.4
U.S.S.R. and EASTERN EUROPE TOTAL:	2.3	2.1	3.9	2.0	2.2	2.2	1.3	2.7

cont/.....

REGION/COUNTRY	1964	1965	1966	1967	1968	1969	1970	1971
REST OF THE WORLD:								
Iran	2.7	4.7	7.1	8.0	7.8	6.9	6.3	5.3
Japan	9.3	10.2	2.4	5.5	6.9	8.0	10.7	10.9
China	0.9	1.1	1.7	0.8	1.4	1.0	0.8	0.8
Africa (Non-sterling)	1.5	1.3	1.1	1.1	0.8	0.8	0.7	1.3
Other	3.1	5.9	3.0	3.3	5.1	5.4	7.0	5.6
TOTAL:	17.5	23.2	15.3	18.7	22.0	22.1	25.5	23.8
PARCEL POST and SPECIAL TRANSACTIONS	4.8	4.3	4.0	3.8	4.0	2.9	3.5	0.2
GRAND TOTAL:	100	100	100	100	100	100	100	100

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* For absolute terms see sources given. The 1971 figures are provisional

Sources: Economic Survey 1968, p. 34 and 1972, p. 40

The same applies to imports from individual E.E.C. countries, although their total share increased slightly to over 20%.

Imports from the U.S.S.R. and Eastern European countries rose from £ 1,8 m. in 1964 to £ 5,3 m. in 1971, their share decreased, however, slowly to just over 1% in 1970. In 1971 Eastern Trade picked up again to 2,7% of total imports. Imports from the residual category "Rest of the World" increased by 6%, from 1964 to 1971 which is partly due to the above mentioned change in the crude oil supplier, which resulted in a rise in the share of imports from Iran. The balance of the increase came from various other countries. In this section imports from Japan are noteworthy, this country being in 1964 and 1971 the second largest supplier of goods imported by Kenya.

6. End-use Analysis of Imports

As has been shown above by the analysis of regional distribution of Kenya's imports, around 80% come from developed countries. Correspondingly imports originating in manufacturing industries, mainly capital goods, are by far the largest category of imports totalling, in 1971, 85,3% of total overseas imports. Imports originating in primary producing industries, mainly food products and petroleum fell since 1964 to just over 11% of total imports, while the share of the residual category "not classified imports" remained since 1967 around 4%. Looking at end-use of these imports (see Table XXVI.) we notice an increase in Government imports, - almost entirely manufactured goods - from 1964 to 1966; thereafter the Government share varied reaching 4,5% in 1971. The imports for enterprise and households showed, of course, a reverse trend totalling 95,5% in 1971. These imports are further disaggregated into intermediary goods, capital formation and final household consumption. Looking at the share of capital goods first, the 1967 peak has been discussed above, representing the import of sugar machinery. Since 1964 the rising trend of these imports is clearly noticeable. Consumption of imports by households, which dropped from 27,3% in 1964 to around 20% from 1967 onward can be interpreted as the result of import substitution for consumer goods. The share of imports of intermediate goods remained fairly stable since 1964, those originating in primary producing industries remained constant in value from 1965 to 1971 indicating the effects of import substitution, while those originating in manufacturing industries rose sharply in value.

Table XXVII

END USE OF ANALYSIS OF IMPORTS 1964-1971

ENTERPRISE AND HOUSEHOLD IMPORTS K£'000						TOTAL RETAINED IMPORTS	
Year	Intermediate Goods	Capital Goods	Final Household Consumption Goods	Enterprise and Household Imports	Government Imports K£'000	K£'000	Percentage Proportion by Origin
Imports originating in primary producing industries. (mainly food products and petroleum)							
1964	9,485	41	1,097	10,623	12	10,635	13.4
1965	14,620	49	1,364	16,033	39	16,072	17.3
1966	14,094	68	1,222	15,384	15,590	15,974	14.5
1967	12,381	122	1,447	13,950	20	13,970	12.7
1968	12,132	125	1,578	13,835	106	12,941	12.1
1969	12,416	96	1,262	13,774	32	13,806	11.7
1970	15,145	128	1,674	16,947	10	16,957	11.5
1971	17,550	130	2,000	19,680	1,000	20,680	11.0
Imports originating in manufacturing industries (including electricity)							
1964	34,237	11,438	17,089	62,764	2,227	64,991	81.9
1965	39,899	11,322	17,748	68,969	3,803	72,772	78.1
1966	45,439	17,081	21,173	83,693	5,782	89,475	80.9
1967	47,060	22,817	17,286	87,163	4,397	91,560	83.0
1968	52,166	19,262	20,038	91,466	4,751	96,217	83.4
1969	55,528	20,125	20,099	95,752	4,677	100,429	85.2
1970	67,359	27,474	25,096	119,929	5,776	125,704	85.2
1971	84,590	37,470	30,244	152,004	7,360	160,364	85.3
Imports not classified according to industry of origin (residual category)							
1964	173	-	3,456	3,626	101	3,730	4.7
1965	274	-	3,649	3,923	386	4,309	4.6
1966	427	-	4,246	4,673	459	5,132	4.6
1967	433	-	3,559	3,992	715	4,707	4.3
1968	217	-	4,199	4,416	821	5,237	4.5
1969	340	-	3,113	3,453	153	3,606	3.1
1970	319	-	4,850	4,899	26	4,925	3.3
1971	320	-	6,536	6,856	100	6,956	3.7
Total use of imports							
1964	43,895	11,479	21,642	77,016	2,340	79,356	100.0
1965	54,793	11,371	22,761	88,925	4,228	93,153	100.0
1966	59,960	17,149	26,641	103,750	6,831	110,581	100.0

cont/.....

Table XXVII cont/...

ENTERPRISE AND HOUSEHOLD IMPORTS K£'000						TOTAL RETAINED IMPORTS	
Year	Intermediate Goods	Capital Goods	Final Household Consumption Goods	Total Enterprise and Household Imports	Government Imports K£'000	K£'000	Percentage Proportion by Origin
Total use of imports							
1967	59,960	22,939	22,292	105,105	5,132	110,237	100,0
1968	64,515	19,387	25,815	109,717	5,678	115,395	100,0
1969	68,284	20,221	24,474	112,979	4,862	117,841	100,0
1970	82,823	27,602	31,350	141,774	5,820	147,586	100,0
1971	102,460	37,600	39,480	179,540	8,460	188,000	100,0
Percentage proportions by usage							
1964	55,3	14,5	27,3	97,1	2,9	100,0	
1965	58,8	12,2	24,5	95,5	4,5	100,0	
1966	54,2	15,5	24,1	93,8	6,2	100,0	
1967	54,3	20,8	20,2	95,3	4,7	100,0	
1968	55,9	16,8	22,4	95,1	4,9	100,0	
1969	57,9	17,2	20,8	95,9	4,1	100,0	
1970	56,1	18,7	21,2	96,0	3,9	100,0	
1971	54,5	20,0	21,0	95,5	4,5	100,0	

Source: Economic Survey 1971, p. 37, Economic Survey 1972, p. 39.

7. Concluding Remarks

The analysis of Kenya's external trade presents, if measured by conventional economic standards, an optimistic picture. The policy of import substitution changed the inherited import pattern. Agricultural exports increased more than to make up for the loss through the declining terms of trade. The growing trade deficit in overseas trade is reduced by a surplus earned in the East African Community trade. Finally, the remaining trade deficit is covered by earning from tourism and the inflows through foreign investment leading to rising foreign exchange reserves.

Despite this overall performance the fact remains that international trade, which served as an "engine of growth" for some countries in the periphery in the 19th Century, no longer fulfils this function today.¹⁶⁾ The absolute increase in the volume of trade covers up a situation where the peripheral countries share in world trade declines every year. The characteristics of the world market for Kenya's traditional exports promise little hope that export production will lead to a higher standard of living for the country's population.¹⁷⁾ The expansion in world demand for the agricultural produce that Kenya is offering is probably not even keeping pace with the country's population growth. Moreover, the doubtful classical justification for international trade, the international division of labour, has not reduced the widening gap between industrialized and less developed countries. Instead it has cemented the structural imbalances in the country's growth despite efforts of decolonialization.¹⁸⁾

The outward orientated policy of development which now also includes an export subsidy¹⁹⁾ will not lead to development but structural underdevelopment - dislocation and sectorial disparities in productivity. Outward looking growth developed through the application of

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19. Budget Speech, June 1973

foreign capital and foreign aid cannot prevent the repetition of the balance of payments problem which emerged in 1971, nor can it limit the growth of unemployment. Only an inward looking, self-initiated development which should be self-financing can overcome the growing disparities initiated during the colonial period.²⁰⁾

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